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IN THE

Supreme Court of the United States

October Term, 1947

No. 161

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

INDEPENDENT PNEUMATIC TOOL COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

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DARBY & DARBY,
DONALD J. OVEROCKER,
CLARENCE J. LOFTUS,
RAYMOND G. MULLEE,
Of Counsel.

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IN THE

Supreme Court of the United States

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No. .....

CHICAGO PNEUMATIC TOOL COMPANY,
Petitioner,

vs.

INDEPENDENT PNEUMATIC TOOL COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

To The Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Chicago Pneumatic Tool Company, respectfully prays for a writ of certiorari to the Circuit Court of Appeals for the Seventh Circuit to review the judgment of that Court entered on the 5th day of May, 1948, affirming the judgment of the District Court of the United States for the Northern District of Illinois, Eastern Division (Judge SULLIVAN) entered October 9, 1947.

A transcript of the record in the case, including proceedings in said Circuit Court of Appeals, is furnished herewith in accordance with the rules of this Court.

Summary and Short Statement of the Subject Matter Involved.

1. Plaintiff-respondent will be referred to herein as Independent Pneumatic and defendant-petitioner as Chicago Pneumatic.

2. This action (R. 2) was brought for a declaratory judgment of invalidity and non-infringement of two patents owned by Chicago Pneumatic. Thereafter Chicago Pneumatic sued Independent Pneumatic in Ohio for infringement of the same two patents (R. 18).

3. Independent Pneumatic is a Delaware corporation. Chicago Pneumatic is a New Jersey corporation, registered to do business in Illinois.

4. Chicago Pneumatic appeared specially herein (R. 11) and moved to dismiss the complaint for lack of venue (R. 12). Independent Pneumatic moved herein for an injunction to restrain Chicago Pneumatic from further prosecuting the Ohio case until final determination of the present declaratory judgment action (R. 13).

5. Chicago Pneumatic's motion was denied. Independent Pneumatic's motion was granted and the injunction ordered. The opinion of the District Court appears at R. 23 and is reported at 74 F. Supp. 502.

6. The Court of Appeals affirmed. Its opinion appears at R. 43 and is reported at 77 U. S. P. Q. 334.

Statement Particularly Disclosing the Basis Upon Which it is Contended That This Court Has Jurisdiction to Review the Judgment in Question.

The judgment of the Court below was entered May 5, 1948.

This Court is believed to have jurisdiction because the questions presented involve the interpretation of Sections

51 * and 48 * of the Judicial Code (28 U. S. C. 112 and 109), and the propriety of the Courts in the Seventh Circuit enforcing the law as interpreted in that circuit upon the Federal Courts in the Sixth Circuit, by injunction, in direct conflict with the law as interpreted by the Sixth Circuit Court of Appeals.

Cases believed to sustain the jurisdiction are:

Neirbo Co. v. *Bethlehem Shipbuilding Corp.*, 308 U. S. 165;
Oklahoma Packing Co. v. *Oklahoma Gas and Electric*, 309 U. S. 4;
In re Keasbey & Mattison Co., 160 U. S. 221;
Southern Pacific v. *Denton*, 146 U. S. 202;
Shaw v. *Quincy Min. Co.*, 145 U. S. 444;
Ex parte Schollenberger, 96 U. S. 369.

The Questions Presented.

The questions presented for review by this Court, if the present petition is granted, are:

1. Does an Illinois District Court have venue of a declaratory judgment patent suit brought by a Delaware corporation against a New Jersey corporation registered to do business in Illinois? This question was answered in the affirmative. It should have been answered in the negative.

2. Should an Illinois District Court by injunction force an Ohio District Court to follow the law of the Seventh Circuit, in direct conflict with the law as interpreted by the Sixth Circuit Court of Appeals? This question was answered in the affirmative. It should have been answered in the negative.

3. More specifically, in a declaratory judgment patent suit brought in Illinois by a Delaware corporation against

* Printed in full in Appendix herein.

a New Jersey corporation, should the Illinois District Court restrain the prosecution of a subsequently brought patent infringement suit between the same parties on the same patents in Ohio, where under the law as interpreted by the Sixth Circuit Court of Appeals the Illinois District Court did not have venue of the defendant in that action, and the Ohio District Court did have venue of the action and parties in the patent suit before it? This question was answered in the affirmative. It should have been answered in the negative.

Reasons Relied on for the Allowance of the Writ.

1. The decision of the Court below is in direct conflict with the decision of the Sixth Circuit Court of Appeals in the case of *American Chemical Paint Co.* v. *Dow Chemical Co.*, 161 F. 2d 956, on rehearing 75 U. S. P. Q. 278, decided November 17, 1947.

2. The decision below affirmed the granting of an injunction compelling an Ohio District Court to follow the law as interpreted by the Seventh Circuit Court of Appeals, in direct conflict with the law as interpreted by the Sixth Circuit Court of Appeals.

3. The decision of the Court below interprets the phrase from Section 51 * of the Judicial Code (28 U. S. C. 112):

> "in any other district than that whereof he (defendant) is in an inhabitant"

in direct conflict with the interpretation which has been placed upon the substantially identical phrase from Section 48 * of the Judicial Code (28 U. S. C. 109):

> "in the district of which defendant is an inhabitant"

by the Second, Fourth, and Sixth Circuit Courts of Appeals.

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* Printed in full in Appendix herein.

4. The Court below has decided an important question of Federal law, namely the interpretation of Section 51 of the Judicial Code (28 U. S. C. 112), in a manner which is untenable in view of the legislative and judicial history of the section and in direct conflict with the meaning of substantially identical language in Section 48 of the Judicial Code (28 U. S. C. 109), which section was enacted as an amendment to Section 51 and is essentially a part thereof, which meaning is necessary in Section 48 in view of the context of the phrase in that section.

WHEREFORE your petitioner respectfully prays that a writ of certiorari issue out of and under the seal of this Court directed to the United States Court of Appeals for the Seventh Judicial Circuit, and that this Court review and correct the erroneous decision of that Court.

Respectfully submitted,

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BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinion of the Courts Below.

The opinion of the District Court will be found at R. 23 and is reported at 74 Fed. Supp. 502.

The opinion of the Court of Appeals for the Seventh Circuit will be found at R. 43 and is reported at 77 U. S. P. Q. 334.

Statement of the Grounds on Which the Jurisdiction of This Court is Invoked.

1. The date of the judgment to be reviewed is May 5, 1948.

2. The judgment was entered in a Civil Action brought under the patent statutes to determine the issues of validity and infringement of Letters Patent of invention.

3. The statutes under which jurisdiction is invoked are Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. A. 347), and Section 274(d) of the Judicial Code (28 U. S. C. A. 400).

4. Cases believed to sustain the jurisdiction are:

Neirbo Co. v. *Bethlehem Shipbuilding Corp.*, 308 U. S. 165;
Oklahoma Packing Co. v. *Oklahoma Gas & Electric*, 309 U. S. 49;
In re Keasbey & Mattison Co., 160 U. S. 221;
Southern Pacific v. *Denton*, 146 U. S. 202;
Shaw v. *Quincy Min. Co.*, 145 U. S. 444;
Ex parte Schollenberger, 96 U. S. 369.

Statement of the Case.

It is believed that the pertinent facts are sufficiently set forth in the petition.

Specification of Errors.

The errors which petitioner will urge if the petition for writ of certiorari is granted are that the Circuit Court of Appeals for the Seventh Circuit erred:

(1) In affirming the judgment of the District Court denying Chicago Pneumatic's Motion to Dismiss.

(2) In affirming the judgment of the District Court granting Independent Pneumatic's Motion for an Injunction.

Summary of Argument.

The argument will follow the reasons relied on for the allowance of the writ as stated on page 4 hereof and in the index.

POINT I.

The decision of the Court below is in direct conflict with the decision of the Sixth Circuit Court of Appeals in the case of *American Chemical Paint Co.* v. *Dow Chemical Co.*, 161 F. 2d 956; on rehearing 75 U. S. P. Q. 278, decided November 17, 1947.

The present case is a declaratory judgment patent suit brought in Illinois against a New Jersey corporation registered to do business in Illinois. Venue in such a suit is governed by Sec. 51 of the Judicial Code (28 U. S. C. A. 112). *Webster* v. *Society for Visual Education,* 83 F. 2d 47, 48 (C. C. A. 7, 1936); *E. I. duPont de Nemours & Co.* v.

Byrnes, 101 F. 2d 14 (C. C. A. 2, 1939); *American Chemical* v. *Dow Chemical*, 161 F. 2d 956, 959 (C. C. A. 6, 1947). The District Court held that it had venue of the suit under the *Neirbo* doctrine (*Neirbo Co.* v. *Bethlehem Shipbuilding Corp.*, 308 U. S. 165) in which this Court held, in a diversity of citizenship case, that a Delaware corporation could be sued in New York where it was registered to do business, such registration constituting a waiver of venue. The District Court said at R. 31:

> "I am convinced that the venue of a declaratory judgment action of the type here under consideration is fixed by Section 51 of the Judicial Code, and I am satisfied that I am bound by the holding in the Neirbo case. My interpretation leads me to the conclusion that when defendant registered in Illinois and designated an agent upon whom service might be had pursuant to the foreign corporation law, it waived the venue jurisdiction under Section 51 and consented to be sued in the Federal Courts of Illinois as well as in the State Courts for any cause of action."

The Court of Appeals affirmed on the opinion of the District Court and adopted that opinion as its own (R. 44).

The decision of the Sixth Circuit Court of Appeals in the *American Chemical* case is in direct conflict therewith. In that case a declaratory judgment patent suit was brought in Michigan against a Delaware corporation registered to do business in Michigan. The District Court denied a motion to dismiss for lack of venue. This was reversed by the Court of Appeals because of its earlier decision interpreting Sec. 48 of the Judicial Code in *Blaw-Knox* v. *Lederle*, 151 F. 2d 973 (1945). The Court of Appeals, said at 161 F. 2d 959:

> "The rule in Neirbo Co. v. Bethlehem Shipbuilding Corporation, 308 U. S. 165, 60 S. Ct. 153, 84 L. Ed.

> 167, 128 A. L. R. 1437, in which it was held that the designation by a foreign corporation of an agent for the service of process was a waiver of the venue provisions applicable in that case, applied to suits based on diversity of citizenship and is not applicable to a suit brought for the infringement of a patent, where venue is controlled by Section 48. Blaw-Knox Co. v. Lederle, 6 Cir. 151 F. 2d 973. See also Phillips v. Baker, 9 Cir. 121 F. 2d 752, cert. den. 314 U. S. 688, 62 S. Ct. 301, 86 L. Ed. 551; Bulldog Electric Products Co. v. Cole Electric Products Co., 2 Cir. 134 F. 2d 545, 547; Carbide and Carbon C. Corporation v. United States I Chemicals, 4 Cir. 140 F. 2d 47, 50."

And at page 960:

> "In accord with our ruling in the Blaw-Knox case, we hold that appellant, by registering its agent for service of process in Michigan, did not waive its right to necessity of venue as provided by Section 51."

This decision was adhered to by the Court on rehearing at 75 U. S. P. Q. 278.

There is thus direct conflict between the Court below and the Sixth Circuit Court of Appeals.

POINT II.

The decision below affirmed the granting of an injunction compelling an Ohio District Court to follow the law as interpreted by the Seventh Circuit Court of Appeals, in direct conflict with the law as interpreted by the Sixth Circuit Court of Appeals.

The Court below affirmed the granting of an injunction restraining the prosecution of an infringement suit subsequently brought by the defendant herein (Chicago Pneumatic) in Ohio. Under the law as interpreted by the Sixth

Circuit Court of Appeals in the *American Chemical* case, 161 F. 2d 956, on rehearing 75 U. S. P. Q. 278, discussed in the preceding section of this brief, the Illinois District Court did *not* have jurisdiction of the defendant in the present declaratory judgment patent suit. Under the law of the Sixth Circuit therefore, the Ohio infringement suit was the first and only suit between the parties before a court having jurisdiction of the parties and cause of action. Under the law of the Sixth Circuit the Ohio District Court had the duty to proceed with the infringement suit and try the issues before it.

Despite the controlling law in the Sixth Circuit, the Court below affirmed the granting of an injunction to enforce the law as interpreted by it upon the Ohio District Court. True, the injunction granted was against Chicago Pneumatic, but that is in effect an injunction against the Ohio Court itself. As was said by this Court in *Oklahoma Packing Co.* v. *Oklahoma Gas and Electric Co.*, 309 U. S. 4, at page 9:

> "That the injunction was a restraint of the parties and was not formally directed against the State Court itself is immaterial." (Citing cases.)

Oddly enough, the injunction was granted by the District Court, as expressly stated in his opinion, quoting from an earlier case (R. 32):

> "to prevent unseemly conflicts between Courts whose jurisdiction embraces the same subject and persons."

Far from preventing unseemly conflicts, the decision below invites conflict. It forces the law as interpreted below upon the Ohio District Court in violation of the law as interpreted by the Sixth Circuit Court of Appeals. The Ohio District Court could with equal propriety enjoin Indepen-

dent Pneumatic from prosecuting the present suit. If the Court below may enforce the law of the Seventh Circuit in Ohio by injunction, the Ohio Court may certainly enforce the law of the Sixth Circuit in Illinois by injunction.

It is believed that the impropriety of forcing the Ohio District Court by injunction to follow the law of the Seventh Circuit, in direct conflict with the law as interpreted by the Sixth Circuit Court of Appeals, is too obvious to require argument, and requires correction by this Court.

POINT III.

The decision of the Court below interprets the phrase from Section 51 * of the Judicial Code (28 U. S. C. 112) "in any other district than that whereof he (defendant) is an inhabitant" in direct conflict with the interpretation which has been placed by the substantially identical phrase from Section 48 * of the Judicial Code (28 U. S. C. 109) "in the district of which defendant is an inhabitant" by the Second, Fourth and Sixth Circuit Courts of Appeals.

The Court below held that the *Neirbo* doctrine applied to declaratory judgment patent suits; that is, that the Illinois District Court has venue of a declaratory judgment patent suit brought against a foreign corporation registered to do business in Illinois, despite the language of Section 51*: "in any other district than that whereof he (defendant) is an inhabitant."

The Second, Fourth and Sixth Circuit Courts of Appeals have held that the *Neirbo* doctrine does not apply to patent infringement suits despite the substantially identical language of Section 48 * of the Judicial Code: "in the

* Printed in full in Appendix herein.

district of which the defendant is an inhabitant"; that is, that a foreign corporation registered to do business within a state may not for that reason alone be sued in that state for patent infringement.

The holding of the Second Circuit Court of Appeals was in the case of *Bulldog Electric Products Co.* v. *Cole Electric Products Co.*, 134 F. 2d 545 (1943). That was a patent infringement suit brought in the Eastern District of New York by a Michigan corporation against a Pennsylvania corporation (Westinghouse Electric Manufacturing Co.) registered to do business in New York, and another. Westinghouse appeared specially and moved to quash service. This was granted by the District Court. The Court of Appeals reversed on the ground that Westinghouse had a regular and established place of business and had committed the alleged infringing acts in the district. The Court of Appeals said at page 547:

> "As this suit is for patent infringement its venue, in the absence of a waiver and there has been none, is controlled by § 48 of the Judicial Code, 28 U. S. C. A. § 109. Stonite Products Co. v. Melvin Lloyd Co., 315 U. S. 561, 62 S. Ct. 780, 86 L. Ed. 1026. That confines jurisdiction in such actions to the district court in the district of which the defendant is an inhabitant or to that in any district in which it has a regular and established place of business and has committed acts of infringement. The appellant is quite right, of course, in saying that Westinghouse, having designated an agent for the service of process upon it in New York, may be sued in the federal courts sitting in New York, at least where diversity is the ground of federal jurisdiction, notwithstanding the fact that it is there a foreign corporation. Neirbo Co. v. Bethlehem Shipbuilding Corp., 308 U. S. 165, 60 S. Ct. 153, 84 L. Ed. 167, 128 A. L. R. 1437. As Westinghouse also had a regular established place

of business in the Eastern District of New York we will assume for the purposes of this appeal that it was as suable therein in a federal court as a New York corporation would have been. But it was clearly entitled to assert its right not to be sued there for patent infringement except when venue of the suit was as required by § 48, Jud. Code. Westinghouse could, therefore, successfully resist such a suit brought against it unless it was either (1) an inhabitant of the district, or (2) had infringed in the district, having there a regular and established place of business.

"We may lay aside the first condition and take it for granted that a corporation is an inhabitant only of the state where it was chartered. Neirbo Co. v. Bethlehem Shipbuilding Corporation, supra, 308 U. S. 165, 60 S. Ct. 153, 84 L. Ed. 167, 128 A. L. R. 1437. That leaves only the second alternative of which the part having to do with the maintenance of a regular and established place of business in the district is conceded by the appellee for the purposes of this appeal.

"Whether venue was properly laid, therefore, comes right down to whether or not Westinghouse committed an act of infringement in the district."

The holding in the Fourth Circuit Court of Appeals was in case of *Carbide and Carbon Co.* v. *United States Industrial Chemicals,* 140 F. 2d 47 (1944). That was a patent infringement suit which was called by the patent owner plaintiff a declaratory judgment suit. The District Court dismissed for lack of venue. The Court of Appeals affirmed, saying at page 50:

"It is true that plaintiff [defendant] had qualified to do business in the State of Maryland and had appointed an agent upon whom process might be served in that state. Under the decision in the Neirbo case, this made it suable in that state in a case where jur-

isdiction rested on diversity of citizenship, on the theory that the designation of an agent for the service of process in Maryland was a waiver of the privilege to be sued in the District of residence as required by Judicial Code Sec. 51, 28 U. S. C. A. § 112 and amounted to a consent to be sued in the state where the agent had been appointed. Venue in a suit for patent infringement, however, has been held to be governed exclusively by Sec. 48 of the Judicial Code 28 U. S. C. A. § 109, limiting jurisdiction to the District of residence of the defendant or a District in which acts of infringement have been committed. The Stonite case, supra, is authority for the proposition that the venue in patent infringement suits is to be determined solely by application of Sec. 48 of the Judicial Code and is not to be extended by the provisions of Sec. 52 of the Judicial Code, 28 U. S. C. A. § 113, allowing suits based on diversity of citizenship against two defendants residing in different Districts of the same state to be brought in either District. Whether the appointment of an agent for the service of process waives the venue provisions of Sec. 48 of the Judicial Code as well as those of Sec. 51, has not been decided by the Supreme Court, but the decision of the Second Circuit in the Bulldog Electric Products case, supra, is an express holding against the proposition and we know of no decisions supporting it."

The holding in the Sixth Circuit Court of Appeals was in case of *Blaw-Knox* v. *Lederle,* 151 F. 2d 973 (1945). That was a patent infringement suit brought in Ohio against a New Jersey corporation registered to do business in Ohio. The District Court held that it had venue of the suit. On petition for writ of mandamus, the Sixth Circuit Court of Appeals reversed, saying at page 974:

"The court concluded, however, that it had jurisdiction of the controversy as a suit arising under the patent laws; that though venue is governed ex-

clusively by § 48 of the Judicial Code, 28 U. S. C. A. § 109, that section gives a defendant a mere personal privilege to object to venue, which privilege may be lost by failure seasonably to assert it or by formal submission or waiver, and that designation by a foreign corporation, as a condition to doing business in Ohio, of an agent upon whom service of process may be made, is an effective consent to be sued in an Ohio federal court for patent infringement which did not occur within the state. It thereupon overruled the petitioner's motion to dismiss.

The Court's principal reliance was Neirbo v. Bethlehem Shipbuilding Corporation, 308 U. S. 165, 60 S. Ct. 153, 84 L. Ed. 167, 128 A. L. R. 1437, wherein it was held that in diversity of citizenship cases governed by § 51 of the Judicial Code, Act of March 3, 1887, as corrected by Act of August 13, 1888, 28 U. S. C. A. § 112, an action between citizens of different states shall be brought only in the district of the residence of either the plaintiff or the defendant, but that this constitutes mere privilege, and being a privilege may be lost. It further held that the designation of an agent to accept service in suits within a state in conformity with local law, was a surrender of the privilege and conferred jurisdiction upon the federal court sitting in such state to take cognizance of a case.

Neirbo v. Bethlehem, supra, was, however, a suit, based on diversity of citizenship. In the present case jurisdiction is grounded upon the patent laws of the United States. Section 48 of the Judicial Code 28 U. S. C. A. § 109, is held to be the sole provision governing the venue of patent infringement litigation. Stonite Products Co. v. Melvin Lloyd Co., 315 U. S. 561, 62 S. Ct. 780, 86 L. Ed. 1026. It provides that in patent infringement suits the district court shall have jurisdiction in the district in which the defendant is an inhabitant, or in any district in which the defendant shall have committed acts of infringement and have a regular and established place of business.

> The petitioner is not an inhabitant of the Northern District of Ohio, and while it may have an established place of business there, it is neither charged nor found to have committed acts of infringement in Ohio. Section 51, involved in the Neirbo case, is not applicable to patent infringement proceedings."

There is thus direct conflict in the interpretation of substantially identical language in two sections of the same title, between the Court below on the one hand, and the Second, Fourth, and Sixth Circuit Courts of Appeals on the other hand. This conflict should be resolved by this Court.

POINT IV.

The Court below has decided an important question of federal law, namely the interpretation of Section 51 of the Judicial Code (28 U. S. C. 112), in a manner which is untenable in view of the legislative and judicial history of the statute and in direct conflict with the meaning of substantially identical language in Section 48 of the Judicial Code (28 U. S. C. 109), which section was enacted as an amendment to Section 51 and is essentially a part thereof, which meaning is necessary in Section 48 in view of the context of the phrase in that section.

Section 51 * of the Judicial Code, so far as material here, provides:

> " * * * no civil suit shall be brought in any district court against any person by any original process or proceeding in any other district than that whereof he is an inhabitant; but where the jurisdiction is founded only on the fact that the action is between citizens of different States, suit shall be brought only in the district of the residence of either the plaintiff or the defendant;"

* Printed in full in Appendix herein.

Section 48 * of the Judicial Code, so far as material here, provides:

> "In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business."

Section 48 was enacted in 1897 as an amendment to Section 51 in order to correct the confusion then existing in the lower courts as to venue in patent infringement suits. Prior to 1897 venue in patent infringement suits had been governed by Section 51 which, until the amendment of the section in 1888, permitted such suits wherever the defendant could be found and thereafter only in the state of its incorporation ("inhabitant").

In *Re Hohorst,* 150 U. S. 653 (1893), this Court held that a patent infringement suit could be brought against an *alien* corporation in any state of the Union in which service could be made upon it. Commenting upon this case, Mr. Justice MURPHY, in the case of *Stonite Products Co.* v. *Melvin Lloyd Co.,* 315 U. S. 560, said at page 564:

> "After the holding Re Hohorst, 150 U. S. 653, 37 L. Ed. 1211, 14 S. Ct. 221, that the Act of 1887 as amended did not apply to a suit against an alien or a foreign corporation 'especially in a suit for the infringement of a patent right', the lower Federal courts became uncertain as to the applicability of the Act of 1887 to patent infringement proceedings. In explanation of Hohorst's case it was said in Re Keasbey & M. Co., 160 U. S. 221, 230, 40 L. Ed. 402, 405, 16 S. Ct. 273, that 'It was a suit for infringement of a patent right, exclusive jurisdiction of which had been granted to the Circuit Courts of the United

> States * * * ; and was therefore not affected by general provisions regulating the jurisdiction of the courts of the United States, concurrent with that of the several States.' Thereafter the lower Federal courts for the most part took the position that the Act of 1887 as amended, did not apply to suits for patent infringement, and that infringers could be sued wherever they could be found."

Thus in 1897, despite the 1888 amendment to Section 51 eliminating the phrase "or in which he shall be found" the lower courts were holding that patent infringement suits (but none other) could be brought wherever the defendant could be found. Congress accordingly added Section 48 to the Judicial Code in 1897 restricting the venue in patent infringement suits to the district of which the defendant is an inhabitant (or where it had committed acts of infringement and had a regular and established place of business).

Three times in the five years prior to 1897 this Court had interpreted the word "inhabitant" in Section 51 to mean the state of incorporation and the state of incorporation only. *Shaw* v. *Quincy Min. Co.*, 145 U. S. 444 (May 16, 1892); *Southern Pacific Co.* v. *Denton*, 146 U. S. 202 (Nov. 21, 1892); *Re Keasbey & Mattison Co.*, 160 U. S. 221 (1895). In the *Keasbey & Mattison* case, the Court held that a foreign corporation could not be sued for trade-mark infringement in a state in which it was doing business even though it had registered to do business and appointed an agent for the service of process in that state. The Court said at 160 U. S. 229:

> "* * * *And it is established by the decisions of this court that, within the meaning of this act, a corporation cannot be considered a citizen, an inhabitant, or a resident of a state in which it has not been incorporated;* and, consequently, that a corporation incorporated in a state of the Union cannot be compelled to answer to a civil suit, at law or in equity, in a cir-

cuit court of the United States held in another state, even if the corporation has a usual place of business in that state. McCormick Harvesting Mach. Co. v. Walthers, 134 U. S. 41, 43; Ex parte Shaw ('Shaw v. Quincy Min. Co.'), 145 U. S. 444; Southern Pac. Co. v. Denton, 146 U. S. 202. Those cases, it is true, were of the class in which the jurisdiction is founded only upon the fact that the parties are citizens or corporations of different states. But the reasoning on which they proceeded is equally applicable to the other class, mentioned in the same section, of suits arising under the Constitution, laws, or treaties of the United States; and the only difference is that, by the very terms of the statute, a suit of this class is to be brought in the district of which the defendant is an inhabitant, and cannot, without the consent of the defendant, be brought in any other district, even in one of which the plaintiff is an inhabitant.

"When the parties are citizens of different states, so that the case comes within the general grant of jurisdiction in the first part of the section, the defendant, by entering a general appearance in a suit brought against him in a district of which he is not an inhabitant, waives the right to object that it is brought in the wrong district. Interior Const. & Imp. Co. v. Gibney, 160 U. S. 221 (ante, 401) and cases there cited. But a corporation, *by doing business or appointing a general agent in a district other than that in which it is created,* does *not* waive its right, if seasonably availed of, to insist that the suit *should have been brought in the latter district.* Ex parte Shaw ('Shaw v. Quincy Min. Co.') and Southern Pac. Co. v. Denton, above cited" (emphasis added).

In enacting Section 48 in 1897, just two years later, Congress adopted the language of Section 51 with the express holding of this Court in 1895 in the *Keasbey* case before it (160 U. S. 229):

> "* * * *within the meaning of this act, a corporation cannot be considered a citizen, an inhabitant, or a resident of a state in which it has not been incorporated;"* (Emphasis added.)

Congress not only adopted the language of "this act" in enacting Section 48. It added a second portion making any other interpretation of Section 48 impossible. That was the portion permitting a patent infringement suit in any district in which the defendant "shall have committed acts of infringement and have a regular and established place of business". Thus, a regular and established place of business alone is not sufficient to give venue in a patent infringement suit. Obviously a regular and established place of business is not enough even though the defendant is registered to do business within the state, since acts of infringement within the district are expressly required by Congress as an additional condition.

The interpretation of the word "inhabitant" by this Court in 1895 in the *Keasbey & Mattison* case was therefore not only adopted in Section 48 by Congress in 1897, and thereby ratified. Congress went further and by adding an additional provision made any other interpretation of that word impossible.

It is inconceivable that Congress could have intended the word "inhabitant" to mean one thing in Section 51 and another thing in Section 48. Section 51 was a general statute governing venue in Federal causes of action, while Section 48 was a specific statute governing venue in patent infringement suits, made necessary because the courts became uncertain as to whether venue of those suits was governed by Section 51. It was in effect an amendment to Section 51, using the language of Section 51, and restricting that language to the meaning unqualifiedly impressed upon it by this Court.

It is equally inconceivable that Congress intended that registration to do business within a state under a state statute requiring such registration as a condition to the establishment of a regular and established place of business should constitute a waiver of venue under Sec. 48. Otherwise any state could nullify the venue requirements expressly set forth that the defendant in addition to having a regular and established place of business shall have committed acts of infringement. Obviously no state may nullify Congressional limitations on the venue of the Federal courts, nor specify conditions for the waiver of venue, in defiance of Congressional mandate.

Since the intent of Congress to restrict venue is clear in Sec. 48 in which the language of Sec. 51 was incorporated in 1897, the intent appears equally clear to ratify the *Keasbey* interpretation of Sec. 51 in the enactment of Sec. 48, and not to leave questions of Federal venue, or waiver thereof, to the caprice of State law with the resulting confusion, diversity, and uncertainty.

Congress intended to restrict jurisdiction by the 1888 amendment to Section 51.

The words "or in which he (defendant) shall be found" were eliminated from Section 51 by Congress in 1888 in order to restrict venue because of abuses, as has been stated by this Court.

In the case of *Stonite Products Co.* v. *Lloyd Co.*, 315 U. S. 561, 86 L. Ed. 1026 (1942), this Court said, beginning at page 563:

> "The Act of March 3, 1875, chap. 137, 18 Stat. at L. 470, retained the provision allowing suit wherever the defendant could be found. The abuses engendered by this extensive venue prompted the Act of March 3, 1887, chap. 373, 24 Stat. at L. 552, which,

> as amended by the Act of August 13, 1888, chap. 866, 25 Stat. at L. 433, permitted civil suits to be instituted only in the district of which the defendant was an inhabitant, except that in diversity jurisdiction cases suit could be started in the district of the plaintiff's or the defendant's residence."

And at page 566:

> "Furthermore, the Act of 1897 was a restrictive measure, limiting a prior, broader venue. General Electric Co. v. Marvel Rare Metals Co., 287 U. S. 430, 434, 435, 77 L. Ed. 408, 412, 413, 53 S. Ct. 202; Bowers v. Atlantic, C. & P. Co. (C. C.), 104 F. 887; Cheatham Electric Switching Device Co. v. Transit Development Co. (C. C.), 191 F. 727."

In the case of *Smith* v. *Lyon*, 133 U. S. 315, 33 L. Ed. 635 (1890), a suit by citizens of Missouri and Arkansas against a citizen of Texas, brought in the Missouri Circuit Court was dismissed for lack of diversity. This Court said at 33 L. Ed. pages 636-637:

> "The Statute which we are now construing leaves out the provision that if the party has the diverse citizenship required by the Statute he may be sued in any district where he may be found at the time of the service of process. The omission of these words, and the increase of the amount in controversy necessary to the jurisdiction of the circuit court, and the repeal of so much of the former Act as allowed plaintiffs to remove causes from the state courts to those of the United States, and many other features of the new Statute, show the purpose of the Legislature to restrict rather than to enlarge the jurisdiction of the circuit courts, while, at the same time, a suit is permitted to be brought in any district where either plaintiff or defendant resides.
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> "It is not readily to be conceived that the Congress of the United States, in a Statute mainly designed

> for the purpose of restricting the jurisdiction of the circuit courts of the United States, using language which has been construed in a uniform manner for over ninety years by this court, intended that that language should be given a construction which would enlarge the jurisdiction of those courts, and which would be directly contrary to that heretofore placed upon it by this court."

In the case of *St. Paul Mercury Indemnity Co.* v. *Red Cap Co.*, 303 U. S. 283 (1938), Mr. Justice ROBERTS speaking for an unanimous Court said at page 288:

> "The intent of Congress drastically to restrict Federal jurisdiction in controversies between citizens of different states has always been rigorously enforced by the Courts."

Congress has consistently refused to alter its ratification of the *Keasbey* case. In *Neirbo Co.* v. *Bethlehem Shipbuilding Corporation*, 103 F. (2d) 765, C. C. A. 2nd, 1939 (reversed by this Court at 308 U. S. 165) the Court said at page 766:

> "* * * attempts at legislative change, even when made under distinguished sponsorship, have proven unsuccessful.[1] "

"[1] Among proposals to limit the jurisdiction of the federal courts before the Congress in 1932 was one drafted by the then Attorney General Mitchell and sponsored by President Hoover which would not have eliminated any of the language of Jud. Code § 24 (1), 28 U. S. C. A. § 41 (1), defining the original jurisdiction of the federal courts over suits between citizens of different states, but would have added to it a provision that a foreign corporation carrying on business in a state other than the one wherein it was organized should be treated as a citizen of the former state for suits by residents thereof arising out of the business carried on in such state. S. B. 937, 72d Cong., 1st Sess. (1932). It failed of passage. See Comment by members of the faculty of the University of Chicago Law School, Limiting Jurisdiction of Federal Courts, 31 Mich. L. Rev. 59 (1932), and Clark, Diversity of Citizenship. Jurisdiction of the Federal Courts, 19 A. B. A. J. 499 (1933), for discussion of the proposal and for other relevant citations."

Congress did, however, in 1890, authorize venue in anti-trust cases "in the district in which the defendant resides *or is found* or has an agent" in Sec. 7 of the Sherman Act (15 U. S. C. A. 15); in 1909 authorize venue in copyright cases "in the district of which the defendant or his agent is an inhabitant, *or in which he may be found*" (17 U. S. C. A. 111); and in 1914 authorize venue in anti-trust suits against a corporation "not only in the judicial district whereof it is an inhabitant, but also in any district wherein it *may be found* or transacts business" in Section 12 of the Clayton Act (15 U. S. C. A. 22). The broadening of venue in specific actions for patent infringement in 1897 (28 U. S. C. A. 109), in anti-trust actions in 1890 and 1914, and in copyright cases in 1909, is further evidence of Congressional intent to limit general venue in amending Section 51 in 1888, and in ratifying in 1897 the *Keasbey* interpretation of 1895 (by enacting Sec. 48).

Furthermore, Section 51 was itself amended in 1936 to permit service of process upon a corporation in a suit brought by a stockholder on behalf of the corporation, "in any district wherein such corporation resides or may be found," and permitted such suits "in any district in which suit against the defendant or defendants in said stockholders' action, other than said corporation, might have been brought by such corporation". This broadening of venue in a single class of cases in 1936 by amendment of Section 51, where a special need existed for such broadening, because the State courts were powerless, is still further evidence of Congressional intent to limit general venue in the 1888 amendment of Section 51 eliminating the words "or in which he shall be found".

In the report of the House Committee on the Judiciary on this 1936 amendment to Section 51, Report No. 2257 of

the 74th Congress, Second Session, dated March 27, 1936, which report was to accompany Senate Bill 2524, the Committee said:

> "Its purpose is to plug a loophole in judicial procedure through which holding companies and parent corporations are enabled to strip a subsidiary corporation of all its assets to the loss of minority stockholders of the subsidiary corporation without possibility of being brought to account in any court, either Federal or State. Under the existing law with regard to venue, if a holding company and its subsidiary corporation are incorporated in different States, no Federal court can entertain a stockholders' suit without the consent of both corporations. The State courts are powerless in this situation because their process does not run beyond State boundaries (*Pennoyer* v. *Neff*, 95 U. S. 714).
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> "The right of a stockholder to sue on behalf of a corporation which refuses to bring suit in its own behalf is well recognized, and the conditions under which such a suit may be brought are prescribed by equity rule 27 of the United States Supreme Court.
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> "In a stockholder's suit to enforce rights of the subsidiary corporation as against the parent corporation, both subsidiary and parent corporations are indispensable parties to the suit. Both corporations appear in the case as parties defendant. The presence of both corporations is essential to any judicial determination of their respective rights and liabilities, and in the absence of jurisdiction over either party the suit must be dismissed (*Davenport* v. *Dows*, 85 U. S. 626; *Central Railroad Co. of N. J.* v. *Mills*, 113 U. S. 249; *Swan Land and Cattle Co.* v. *Frank*, 148 U. S. 603; *Lawrence* v. *Southern Pacific Co.*, 180 F. 822; *Eldred* v. *American Palace Car Co.*, 105 F. 457; *Lengel* v. *American Smelting & R. Co.*, 110 F. 19; *McNeely* v. *E. I. DuPont DeNemours Powder Co.*, 263 F. 252; *Busch* v. *Mary A. Riddle Co.*, 283 F. 443).

"Under section 51 of the Judicial Code, where jurisdiction is founded on diversity of citizenship, suit can be brought only in the district of the residence of either the plaintiff or defendant. A corporation within the meaning of this section is a resident of, and only of, the State of its incorporation (*Shaw* v. *Quincy Mining Co.*, 145 U. S. 444; *Seaboard Rice Milling Co.* v. *Chicago, R. I. & P. R. R. Co.*, 270 U. S. 363).

"In the case here under discussion, if suit is to be brought at all in the Federal court, it must be brought either in the district of one of the defendants, or of the plaintiff. If either of the corporations are residents of the same State as the plaintiff, the complete diversity of citizenship requisite to Federal jurisdiction is lacking. The right of the stockholder to bring the suit in the district of which he is a resident cannot be availed of unless both corporations are nonresidents and both do business in that district.

"Should suit be brought in the State in which the parent corporation is incorporated, the subsidiary corporation may procure its own dismissal from the suit on the grounds that it is being sued in a State other than that of its incorporation, such State not being the State of residence of the plaintiff, and this is true even though the corporation is regularly doing business in the State in which the suit is brought (*Shaw* v. *Quincy Mining Co.*, 145 U. S. 444; re *Keasbey & Mattison Co.*, 160 U. S. 221; *Seaboard Rice Milling Co.* v. *Chicago R. I. & P. R. Co.*, 270 U. S. 363). The suit then fails for want of an indispensable party.

"On the other hand, if the suit is brought in the State in which the subsidiary corporation is incorporated, the parent corporation is entitled to raise the objection that it is not being sued in the State of its incorporation nor in the State in which the plaintiff resides, and when such objection is necessarily sustained, the suit again fails for want of an indispensable party.

"In either instance the plaintiff is denied access to any Federal court. (See particularly the decision in *Busch* v. *Mary A. Riddle Co.*, 283 F. 443.)

The elimination of the clause from Section 51 "or in which he shall be found" by Congress in 1888 in order to restrict venue, the interpretation by this Court of the amended statute twice in 1892 and once in 1895, the ratification by the Congress of that interpretation in 1897 by the enactment of Section 48, the nailing down of that ratification by the second portion of Section 48, the repeated refusal of Congress to alter that interpretation although repeatedly broadening venue in other specific actions, require a reversal of the Court below. Certiorari should be granted to permit that reversal.

Conclusion.

Petitioner prays that the petition for writ of certiorari be granted, the case be reviewed, and the judgment of the 7th Circuit Court of Appeals be reversed.

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APPENDIX.

Section 48 of the Judicial Code.

U. S. C. A. Title 28, Section 109. (Judicial Code, section 48.) **Patent cases.** In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought. (Mar. 3, 1897, c. 395, 29 Stat. 695; Mar. 3, 1911, c. 231, § 48, 36 Stat. 1100.)

Section 51 of the Judicial Code.

U. S. C. A. Title 28, Section 112. (Judicial Code, section 51.) **Civil suits; arrests in; district where brought; suits by corporate stockholders.**

Except as provided in sections 113-117 of this title, no person shall be arrested in one district for trial in another, in any civil action before a district court; and, except as provided in sections 113-118 of this title, no civil suit shall be brought in any district court against any person by any original process or proceeding in any other district than that whereof he is an inhabitant; but where the jurisdiction is founded only on the fact that the action is between citizens of different States, suit shall be brought

only in the district of the residence of either the plaintiff or the defendant; except that suit by a stockholder on behalf of a corporation may be brought in any district in which suit against the defendant or defendants in said stockholders' action, other than said corporation, might have been brought by such corporation and process in such cases may be served upon such corporation in any district wherein such corporation resides or may be found. Mar. 3, 1911, c. 231, § 51, 36 Stat. 1101; Sept. 19, 1922, c. 345, 42 Stat. 849; Mar. 4, 1925, c. 526, § 1, 43 Stat. 1264; Apr. 16, 1936, c. 230, 49 Stat. 1213.